

GUIDANCE
ON NEW MARKETS VENTURE CAPITAL PROGRAM
OPERATIONAL ASSISTANCE GRANTS

(As of 5/23/01)

Are there any restrictions on the use of operational assistance grant funds?

NMVC companies and SSBICs receiving operational assistance grants from SBA under the New Markets Venture Capital ("NMVC") program are prohibited by statute from using such funds to pay for their overhead and general and administrative expenses. This restriction applies to both the grant funds received from SBA and to the matching resources (both cash and in-kind) raised by the NMVC company or SSBIC. Essentially, this means that NMVC company and SSBIC grantees must use grant resources for their direct costs only, and must not use grant resources for their indirect costs.

What are direct costs and what are indirect costs?

Direct costs are costs and expenses specifically identified with and directly attributable to the grant and its purposes of providing operational assistance to small businesses. Indirect costs are costs and expenses not specifically identified with or directly attributable to the operational assistance provided to small businesses. Examples of an NMVC company's or SSBIC's indirect costs would be overhead expenses such as rent, utilities, office supplies, and conference attendees fees.

What is the funding period for operational assistance grants from SBA?

SBA anticipates awarding grant funds to finally approved NMVC companies and to SSBICs on or before September 28, 2001. The funding period for these grants will be 4 years and 9 months. That is, these funds will be available for expenditure by NMVC companies and SSBICs from date of award to June 30, 2006. In simple terms, this means that NMVC companies and SSBICs must expend their grant funds prior to June 30, 2006 and submit all invoices for reimbursement to SBA well before September 30, 2006. The reason for this is that by law, these funds revert to the U.S. Department of Treasury on September 30th of the fifth year after the period of availability of the appropriation, which in this case would be September 30, 2006. SBA needs the time period between June 30 and September 30, 2006 to process final requests for disbursement of grant funds before September 30, 2006 when such funds no longer will be available to SBA for this purpose.

What is the time frame for using matching resources?

Grantees may not use Federal grant funds in advance of matching resources. They both must be available and be expended within the same time period. NMVC companies and SSBICs are allowed to raise their required matching resources for operational assistance grants in the form of in-kind contributions, cash contributions or binding commitments for cash contributions, and annuities payable over time. (In-kind contributions must account for no more than 50% of the total matching resources raised.) Any matching resources in a form other than cash must be documented. Documentation of matching resources must provide that such resources (cash or in-kind) are available for use by the NMVC Company or SSBIC during the same time period that SBA's grant funds are available for expenditure.

What is the deadline for raising matching resources?

You must have all of your matching resources in place by no later than August 15, 2001 in order to receive an NMVC operational assistance grant this fiscal year (FY 2001). You must submit

documentation to SBA showing that these resources actually have been raised and are in place and available for your use, not just planned or proposed. If you are an NMVC company applicant, you may request an exception to this requirement (this exception is not available to SSBICs). You must submit such a request before a deadline to be established by SBA, and your request must meet the requirements set forth in 13 C.F.R. § 108.380(b). Such requirements include submitting documentation that you have raised at least 20% of the required amount of grant matching resources and presenting a viable plan to raise the remainder.

How much matching resources must I raise?

The NMVC operational assistance grant program has a dollar-for-dollar match requirement. This means that the dollar amount and/or value of the matching resources you raise must be equal to the amount of operational assistance grant you receive. In your application, you must request a specific amount of operational assistance grant. (This amount must be at least 30% of the capital you intend to raise to be used to make Developmental Venture Capital investments in Low-Income Areas.) You must raise that same amount in matching resources by the August 15, 2001 deadline. If you are an SSBIC applicant and you do not raise the required amount of matching resources by the deadline, you may not receive a grant. If you are an NMVC company applicant and you do not raise the required amount of matching resources by the deadline, SBA may not designate you as a finally approved NMVC company and, therefore, you may not receive a grant.

How do I complete the Budget Information section on the SF 424?

- Pages A-3 through A-4: You must submit budget information concerning your proposed operational assistance activities, for the entire funding period, from September 30, 2001 to June 30, 2006. In section B, "Budget Categories," Object Class Category 6.j (Indirect Charges) should be zero, since grant funds may not be used for such costs,
- Pages A-9 through A-10: You must submit detailed budget information for the entire funding period, from September 30, 2001 to June 30, 2006. (Disregard the title on page A-9, which states that detailed budget information must be provided for a "twelve month budget period.") The totals for "Overhead" and "General and Administrative" costs, under the heading Indirect Cost, should be zero since grant funds may not be used for such costs.

If you have specific questions regarding the SF 424, please contact Mina Bookhard, Agreement Officer, Office of Procurement and Grants Management, (202) 205-7080.

Disclaimer: Please note that this document is not an official policy statement about the NMVC program. Rather, it represents SBA's thinking as of the stated version date. SBA continues to develop its policies and procedures for the NMVC program. Accordingly, this guidance is subject to change and is not binding on any SBA decision.